

ORIGINAL

MEMORANDUM



0000136446

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: May 9, 2012

RE: STAFF REPORT FOR BIDEgain WATER COMPANY – APPLICATION FOR A
PERMANENT RATE INCREASE (DOCKET NO. W-02026A-11-0470)



Attached is the Staff Report for Bidegain Water Company's application for a permanent rate increase. Staff recommends approval of its rates and charges.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before May 18, 2012.

SMO:BCA:kdh

Originator: Brendan C. Aladi

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2012 MAY -9 P 2:19
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Service List for: Bidegain Water Company
Docket No. W-02026A-11-0470

Mr. Darrell Wallace
Bidegain Water Company
c/o Samuel Accounting Service
247 S. Hill Street
Globe, Arizona 85501

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

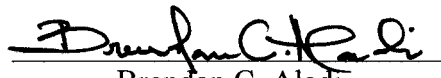
**BIDEGAIN WATER COMPANY
DOCKET NO. W-02026A-11-0470**

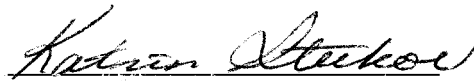
**APPLICATION
FOR A
PERMANENT RATE INCREASE**


MAY 9, 2012


STAFF ACKNOWLEDGMENT

The Staff Report for Bidegain Water Company (Docket No. W-02026A-11-0470) was the responsibility of the Staff members listed below. Brendan Aladi was responsible for the review and analysis of the Company's application for a permanent rate increase, Staff's revenue requirement, rate base, and rate design. Katrin Stukov was responsible for the engineering and technical analysis. Kiana Sears was responsible for the certificate of convenience and necessity ("CC&N") review. Carmen Madrid was responsible for reviewing the Arizona Corporation Commission's records on the Company and reviewing customer complaints filed with the Commission.


Brendan C. Aladi
Public Utilities Analyst III


Katrin Stukov
Utilities Engineer


Kiana Sears
Executive Consultant I


Carmen Madrid
Public Utilities Consumer Analyst I

**EXECUTIVE SUMMARY
BIDEGAIN WATER COMPANY
DOCKET NO. W-02026A-11-0470**

On December 27, 2011, Bidegain Water Company ("Bidegain" or "Company") filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission").

Bidegain is a class E sole-proprietorship that is an Arizona public service corporation that provides potable water service to approximately 20 metered customers. The Company's service area is located near Kearny, in Pinal County, Arizona.

Bidegain proposed a \$4,809 or a 95.40 percent revenue increase over the test year revenue of \$5,041 to \$9,850. The Company's proposed revenues would result in an operating loss of \$162 and a negative cash flow. The Company's proposed rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$37.96, for an increase of \$18.49, or 95.0 percent.

Staff recommends a \$5,185 or a 101.97 percent revenue increase over the Staff-adjusted test year revenue of \$5,085 to \$10,270. Staff's recommended revenues would result in an operating income of \$1,000 for a cash flow of \$2,521. Staff's recommended rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$32.93, for an increase of \$13.46, or 69.1 percent.

STAFF RECOMMENDATIONS

Staff recommends approval of the Staff-recommended rates and charges as shown in Schedule BCA-4.

Staff recommends that the permanent rates in this matter not become effective until the first day of the month after the Company files with Docket Control, as a compliance item in this docket, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements or until a new certificate of convenience and necessity has been authorized by the Commission.

Staff recommends that the Company be ordered to file with Docket Control, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff recommends that the Company be ordered to use the depreciation rates delineated in Table B of the attached Engineering Report.

Staff recommends that the Company file as a compliance item in this docket, no later than December 31, 2013, documentation issued by the Arizona Department of Water Resources ("ADWR") indicating that the Company's system is in compliance with ADWR requirements.

Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system. Staff recommends that in case that the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp> Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

TABLE OF CONTENTS

	<u>PAGE</u>
Fact Sheet.....	1
Summary of Filing	2
Company Background	3
Consumer Services.....	3
Compliance	3
Engineering Analysis and Recommendations	4
CC&N Analysis	4
Rate Base	4
Plant in Service	4
Accumulated Depreciation	5
Operating Income Statement.....	5
Operating Revenue	5
Operating Expenses	6
Revenue Requirement.....	7
Rate Design.....	7
Miscellaneous Service Charges	7
Service Line and Meter Installation Charges.....	8

SCHEDULES

Summary of Filing	Schedule BCA-1
Rate Base	Schedule BCA-2
Statement of Operating Income	Schedule BCA-3
Rate Design.....	Schedule BCA-4
Typical Bill Analysis	Schedule BCA-5

ATTACHMENT

Engineering Report	A
CC&N Memorandum.....	B

Fact Sheet

Company:

Type of Ownership: Sole Proprietorship

Rates:

Permanent rate increase application filed: December 27, 2011.

Current test year ended: December 31, 2010.

Prior test year ended: December 31, 1989.

The application became sufficient on March 9, 2012.

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Rates			
Residential Monthly Minimum Charge			
5/8 x 3/4-inch meter	\$ 9.00	\$ 16.00	\$ 13.50
3/4-inch meter	N/A	N/A	\$ 13.50
1-inch meter	N/A	N/A	\$ 33.75
(1,000 gallon increments included in the minimum)	0	0	0
Commodity Rates (Per 1,000 gallons)			
<u>Present Rates – All Sizes</u>			
First Tier – All gallons	\$ 1.43	N/A	N/A
<u>Company Proposed – All Sizes</u>			
First Tier – All gallons	\$ 3.00	N/A	N/A
<u>Staff Recommended – All Sizes</u>			
0 to 4,000 gallons	N/A	N/A	\$ 2.20
4,001 to 8,000 gallons	N/A	N/A	\$ 3.20
Over 8,000 gallons	N/A	N/A	\$ 4.60

Fact Sheet (cont'd)

	Company Current <u>Rates</u>	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
Typical 5/8 x 3/4-inch residential bill			
Average use (8,838 gallons)	\$21.64	\$42.51	\$38.96
Median use (7,321 gallons)	\$19.47	\$37.96	\$32.93

Customers

Average number of customers in the current test year (12/31/10): 20

Current test year customers by meter size: 5/8 x 3/4-inch: 20

Seasonal customers: N/A

Notifications

A notarized cover letter and affidavit of mailing "Customer Notification" was filed on January 17, 2012.

Number of opinions filed against the rate increase application: 0.

Number of customer complaints filed from January 1, 2009, to April 25, 2012: 0.

Summary of Filing

On December 27, 2011, Bidegain Water Company ("Bidegain" or "Company") filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission").

Bidegain is a class E sole-proprietorship that is an Arizona public service corporation that provides potable water service to approximately 20 metered customers. The Company's service area is located near Kearny, in Pinal County.

The test year results for Bidegain, as adjusted by Utilities Division Staff ("Staff"), show total operating revenue of \$5,085, an operating loss of \$4,098, and no rate of return or operating margin as shown on Schedule BCA-1. The original cost rate base ("OCRB") as adjusted by Staff is \$7,961.¹

¹ The Company did not propose a fair value rate base that differs from its OCRB.

Bidegain Proposed a \$4,809 or a 95.40 percent revenue increase over the test year revenue of \$5,041 to \$9,850. The Company's proposed revenues would result in an operating loss of \$162 and a negative cash flow. The Company's proposed rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$37.96, for an increase of \$18.49, or 95.0 percent.

Staff recommends a \$5,185 or a 101.97 percent revenue increase over the Staff-adjusted test year revenue of \$5,085 to \$10,270. Staff's recommended revenues would result in an operating income of \$1,000 for a cash flow of \$2,521. Staff's recommended rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$32.93, for an increase of \$13.46, or 69.1 percent.

Although Staff is recommending a larger revenue increase than the Company, Staff's rate design passes more cost to higher users.

According to the application, the Company requests a rate increase due to increases in the cost of operations, upgrading of the water system and no rate increase in over nineteen years.

Company Background

On December 7, 1966, Mr. and Mrs. Bidegain were granted a certificate of convenience and necessity ("CC&N") pursuant to Commission Decision No. 38745. On February 18, 2003, Bidegain's CC&N was revoked in Decision No. 65649 for failure to file its 2001 annual report. Both of the certificated owners, Mr. and Mrs. Bidegain, are now deceased and the water system was sold to Darrel Wallace in 2003. Mr. and Mrs. Bidegain did not request authorization from the Commission to transfer the assets and CC&N to the new owner (Darrel Wallace). See CC&N section for further discussion.

On December 27, 2011, Bidegain filed an application for a rate increase with the Commission. On January 26, 2012, Staff filed a letter of deficiency. On March 9, 2012, Staff issued a letter of sufficiency.

Consumer Services

Staff reviewed the Commission's records for the period beginning January 1, 2009, to April 25, 2012, and found no complaints or opinions filed. A notarized affidavit of mailing "Customer Notification" was filed on January 17, 2012.

Compliance

The Utilities Division Compliance Section shows no outstanding compliance issues.

Bidegain is a sole-proprietorship; therefore, a good standing verification is not applicable.

Bidegain completed an Arizona Department of Revenue tax clearance application and has not received a response from the Department. Staff did research and determined that it is appropriate for Bidegain to collect and remit its sales tax under a transaction privilege tax license number for Crystal Water that is associated with Bidegain's name.

Engineering Analysis and Recommendations

Staff Engineer, Katrin Stukov inspected Bidgain's plant facilities on February 7, 2012, accompanied by the Company's owner Darrell Wallace. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Staff Engineering Report.

CC&N Analysis

A complete discussion of Staff's CC&N findings and recommendations are provided in the attached CC&N Memorandum.

Due to the Company's lack of a CC&N, Staff recommends that the new rates authorized in this proceeding do not become effective until a new CC&N has been authorized.

Rate Base

Staff's adjustments increased the Company's proposed rate base by \$4,961, from \$3,000 to \$7,961, as shown on Schedule BCA-2, page 1.² Details of Staff's adjustments are discussed below.

Plant in Service

Adjustment A increases plant in service by \$5,889, from \$35,596 to \$41,485, as shown on Schedule BCA-2, pages 1 and 2.

Structures and Improvements - Adjustment "a" decreases this account by \$18,000, from \$18,000 to \$0, as shown on Schedule BCA-2, pages 2 and 3. Staff decreased this account by \$18,000 to reflect the transfer from structures and improvements to wells and springs account.

Wells and Springs - Adjustment "b" increases this account by \$18,000, from \$3,700 to \$21,700, as shown on Schedule BCA-2 pages 2 and 3. Staff increased this account by \$18,000 to reflect the transfer from structures and improvements to wells and springs account.

Electrical Pumping Equipment - Adjustment "c" increases this account by \$5,889, from \$500 to \$6,389, as shown on Schedule BCA-2, pages 2 and 3. Staff increased this account by

² The Company did not propose a fair value rate base that differs from its OCRB.

\$5,889 to capitalize \$5,889 in electrical pumping equipment incorrectly recorded as repairs and maintenance expense.

Accumulated Depreciation

Adjustment B increases accumulated depreciation by \$1,623, from \$32,596 to \$34,219, as shown on Schedule BCA-2, pages 1 and 4.

Staff calculated the ending balance of accumulated depreciation by utilizing the ending plant balances and accumulated depreciation balances by plant account as approved in the last rate case (Docket No. (U-2026-90-204), reflecting plant additions and retirements as identified by Staff and the Company and applying the Commission-approved depreciation rates. Staff also identified fully-depreciated plant. Discussion with Karen Samuel, Bidegain's accountant, revealed that Bidegain did not take depreciation expense for some years.

Working Capital

Bidegain did not claim any working capital allowance. Staff's adjustments C and D resulted in a net increase to working capital of \$695, from \$0 to \$695, as shown on Schedule BCA-2, pages 1 and 5.

Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

Operating Income Statement

Operating Revenue

Staff's adjustments to total operating revenue resulted in a net increase of \$44, from \$5,041 to \$5,085, as shown on Schedule BCA-3, page 1. Details of Staff's adjustments are discussed below.

Metered Water Revenue – Adjustment A increases metered water revenue by \$2,294, from \$2,791 to \$5,085, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects Staff's calculation of the metered water revenue using the billing determinants provided by the Company.

Unmetered Water Revenue - Adjustment B decreases unmetered water revenue by \$2,250, from \$2,250 to \$0, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects the transfer of \$2,250 in other water revenue to metered water revenue.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of \$829, from \$10,012 to \$9,183, as shown on Schedule BCA-3, page 1. Details of Staff's adjustments are presented below.

Purchased Power – Adjustment C increases purchased power expense by \$442, from \$2,324 to \$2,766, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects the increase to the amount updated and supported by the Company's documentation for purchased power expense.

Repairs and Maintenance Expense – Adjustment D decreases repairs and maintenance expense by \$3,389, from \$5,034 to \$1,645, as shown on Schedule BCA-3, pages 1 and 2. This adjustment reflects the removal of costs from repairs and maintenance expense and capitalizing them in electrical pumping equipment.

Office Supplies Expense – Adjustment E decreases office supplies expense by \$70, from \$124 to \$54, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects the amount unsupported by the Company's documentation for office supplies expense.

Contractual Services Expense – Adjustment F increases contractual services expense by \$416, from \$1,378 to \$1,794, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects the amount supported by the Company's documentation for accounting services expense.

Rate Case Expense – Adjustment G increases rate case expense by \$323, from \$0 to \$323, as shown on Schedule BCA-3, pages 1 and 2. Staff's adjustment reflects a normalized amount of rate case expense based on three years between rate cases ($\$323 = \$970/3\text{years}$).

Depreciation Expense – Adjustment H increases depreciation expense by \$1,521, from \$0 to \$1,521, as shown on Schedule BCA-3, pages 1 and 3. Staff's depreciation expense reflects application of Staff's recommended depreciation rates to Staff's recommended plant balances.

Taxes Other Than Income - Adjustment I decreases taxes other than income by \$97, from \$97 to \$0, as shown on Schedule BCA-3, pages 1 and 4. Staff's adjustment reflects the removal of sales taxes paid by customers. As a pass-through tax it is not included in revenue, so should not be included in expenses.

Property Taxes - Adjustment J increases property taxes by \$24, from \$231 to \$255, as shown on Schedule BCA-3, pages 1 and 4. Staff's adjustment reflects the property tax expense using the modified Arizona Department of Revenue property tax method.

Revenue Requirement

The Company's narrative portion of the application states that the Company needs a rate increase to maintain the aging water system and to cope with rising operating costs.

Bidegain has a rate base of \$7,961, which is very low and a rate of return calculation alone results in a revenue requirement that provides insufficient cash flow. Consequently, Staff elects to use cash flow in calculating the revenue requirement.

The Company proposes total operating revenue of \$9,850, an increase of \$4,809, or 95.40 percent above the Company's test year revenue of \$5,041. The Company's proposed revenue provides an operating loss of \$162 (and a negative cash flow), as shown on Schedule BCA-1.

Staff recommends total operating revenue of \$10,270, an increase of \$5,185, or 101.97 percent above the Staff-adjusted test year revenue of \$5,085. Staff's recommended revenue provides an operating income of \$1,000 (for a cash flow of \$2,521), as shown on Schedule BCA-1. Staff's recommended increase provides the Company with adequate cash flow to meet its normal operating expenses.

Rate Design

Schedule BCA-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

Under the Company's present rates, the monthly minimum charge is \$9 per customer per month with zero gallons in the minimum. The Company is proposing a one-tier rate structure with zero gallons in the monthly minimum charge. The Company's requested rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$37.96, for an increase of \$18.49 or 95.0 percent, as shown on Schedule BCA-5.

Staff recommends a three-tier inverted commodity rate structure for all customers. Currently, all customers are served by 5/8 x 3/4-inch meters. Staff further recommends breakover points at 4,000 and 8,000 gallons for all residential customers.

Staff's recommended rates would increase the typical residential bill with a median usage of 7,321 gallons from \$19.47 to \$32.93, for an increase of \$13.46, or 69.1 percent, as shown on Schedule BCA-5.

Miscellaneous Service Charges

The Company proposes no establishment charge. Staff finds \$20 as a reasonable charge for the service and recommends it.

The Company does not propose an establishment after-hours charge. Staff recommends that an additional fee for service provided outside of normal business hours is appropriate when such service is at the customer's request. Such a tariff compensates the utility for additional expenses incurred from providing after-hours service. Moreover, Staff concludes that it is appropriate to apply an after-hours service charge in addition to the charge for any utility service provided after hours at the customer's request. Therefore, Staff recommends the creation of a separate \$35 after-hours service charge. For example, under Staff's proposal, a customer would be subject to a \$20 establishment fee if it is done during normal business hours, but would pay an additional \$35 after-hours fee if the customer requested that the establishment be done after normal working hours.

The Company proposes to change the reconnection (delinquent) charge from \$5 to \$50. Staff finds \$20 as a reasonable charge for the service and recommends it.

The Company proposes no meter test (if correct) charge. Staff finds \$25 as a reasonable charge for the service and recommends it.

The Company proposes \$25 for the non-sufficient funds ("NSF") check charge. Staff concurs with the Company that this is a reasonable charge for the service and recommends it.

The Company proposes \$2.50 charge for the meter reread (if correct) charge. Staff finds \$10 as a reasonable charge for the service and recommends it.

The Company proposes no deferred payment charge. Staff recommends a deferred payment charge of 1.50 percent per month.

The Company proposes no late payment charge. Staff recommends a late payment charge of 1.50 percent per month.

Service Line and Meter Installation Charges

The Company has requested changes to its service line and meter installation charges as shown on Schedule BCA-4.

Staff has recommended service line and meter installation charges based upon an analysis of costs as discussed in the attached Engineering Report. Further, since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends separate service line and meter installation charges. Staff recommends approval of Staff's service line and meter installation charges are shown on Schedule BCA-4.

Staff Recommendations

Staff recommends approval of the Staff-recommended rates and charges as shown in Schedule BCA-4.

Staff recommends that the permanent rates in this matter not become effective until the first day of the month after the Company files with Docket Control, as a compliance item in this docket, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements or until a new certificate of convenience and necessity has been authorized by the Commission.

Staff recommends that the Company be ordered to file with Docket Control, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff recommends that the Company be ordered to use the depreciation rates delineated in Table B of the attached Engineering Report.

Staff recommends that the Company file as a compliance item in this docket, no later than December 31, 2013, documentation issued by the Arizona Department of Water Resources ("ADWR") indicating that the Company's system is in compliance with ADWR requirements.

Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system. Staff recommends that in case that the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least

three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp> Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

Bidegain Water Company

Docket No. W-02026A-11-0470

Test Year Ended December 31, 2010

Schedule BCA-1

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$2,791	\$5,085	\$9,850	\$10,270
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	2,250	0	0	0
Total Operating Revenue	\$5,041	\$5,085	\$9,850	\$10,270
Operating Expenses:				
Operation and Maintenance	\$9,684	\$7,407	\$9,684	\$7,407
Depreciation	0	1,521	0	1,521
Property & Other Taxes	328	255	328	341
Income Tax	0	0	0	0
Total Operating Expense	\$10,012	\$9,183	\$10,012	\$9,270
Operating Income/(Loss)	(\$4,971)	(\$4,098)	(\$162)	\$1,000
Rate Base O.C.L.D.	\$3,000	\$7,961	\$3,000	\$7,961
Rate of Return - O.C.L.D.	N/M	N/M	N/M	12.57%
Operating Margin	N/M	N/M	N/M	9.74%
Cash Flow	N/M	N/M	N/M	\$2,521

RATE BASE

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$35,596	\$5,889 A	\$41,485
Less:			
Accum. Depreciation	32,596	1,623 B	34,219
Net Plant	\$3,000	\$4,266	\$7,266
Less:			
Plant Advances	0	0	0
Accumulated Deferred Income Taxes	-	0	-
Total Advances	-	0	-
Contributions Gross	0	0	0
Less:			
Amortization of CIAC	0	0	0
Net CIAC	0	0	0
Total Deductions	-	0	-
Plus:			
1/24 Power	0	\$115 C	\$115
1/8 Operation & Maint.	0	580 D	580
Inventory	0	0	0
Prepayments	0	0	0
Total Additions	\$0	\$695	\$695
Rate Base	\$3,000	\$4,961	\$7,961

Explanation of Adjustment:

- A - Refer to Schedule BCA-2, Page 2
- B - Refer to Schedule BCA-2, Page 4
- C - Refer to Schedule BCA-2, Page 5
- D - Refer to Schedule BCA-2, Page 5

PLANT ADJUSTMENTS

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$0	\$0	\$0
302 Franchises	0	0	0
303 Land & Land Rights	3,000	0	3,000
304 Structures & Improvements	18,000	(18,000) a	0
307 Wells & Springs	3,700	18,000 b	21,700
311 Electrical Pumping Equipment	500	5,889 c	6,389
320 Water Treatment Equipment	0	0	0
330 Distribution Reservoirs & Standpipes	0	0	0
330.1 Storage Tank	1,451	0	1,451
330.2 Pressure Tank	0	0	0
331 Transmission & Distribution Mains	8,945	0	8,945
333 Services	0	0	0
334 Meters & Meter Installations	0	0	0
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	0	0	0
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipment	0	0	0
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	0	0	0
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Plant	0	0	0
105 C.W.I.P.	0	0	0
TOTALS	\$35,596	\$5,889 A	\$41,485

STAFF PLANT ADJUSTMENTS

a -	STRUCTURES AND IMPROVEMENTS - Per Company	\$ 18,000	
	Per Staff	0	<u>\$ (18,000)</u>

To transfer \$18,000 from structures and improvements to wells and springs that was incorrectly classified.

b -	WELLS AND SPRINGS - Per Company	\$ 3,700	
	Per Staff	21,700	<u>\$ 18,000</u>

To add \$18,000 to wells and springs that was incorrectly classified as structures and improvements.

c -	Electrical Pumping Equipment - Per Company	\$ 500	
	Per Staff	6,389	<u>\$ 5,889</u>

To capitalize \$3,389 in costs incurred for electrical pumping equipment that were inappropriately expensed and add \$2,500 in electrical pumping equipment.

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
B - Accumulated Depreciation - Per Company	\$ 32,596
Accumulated Depreciation - Per Staff	<u>34,219</u>
Total Adjustment	<u><u>\$1,623</u></u>

ACCT		ACCUMULATED DEPRECIATION		
No.	Description	Staff Calculated	Company Application	Staff Adjustment
301	Intangibles	\$ -	\$ -	\$ -
303	Land and Land Rights	-	-	-
304	Structures and Improvements	-	18,000	(18,000)
307	Wells and Springs	20,863	3,700	17,163
311	Electrical Pumping Equipment	2,960	500	2,460
320	Water Treatment Equipment	-	-	-
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tank	-	-	-
330.2	Pressure Tank	1,451	1,451	-
331	Transmission and Distribution Mains	8,945	8,945	-
333	Services	-	-	-
334	Meters and Meter Installation	-	-	-
335	Hydrants	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-
340	Office Furniture and Fixtures	-	-	-
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools and Work Equipment	-	-	-
345	Power Operated Equipment	-	-	-
346	Communications Equipment	-	-	-
348	Other Tangible Plant	-	-	-
	Total	<u>\$ 34,219</u>	<u>\$ 32,596</u>	<u>\$ 1,623</u>

WORKING CAPITAL ADJUSTMENTS

C -	WORKING CAPITAL (1/24 Purchased Pwr & Wtr) Per Company	\$0
	Per Staff	<u>\$115 \$ 115</u>

To reflect Staff's calculation of cash working capital based on Staff's recommendations for purchased power and purchase water.

D -	WORKING CAPITAL (1/8 operation & Maint exp.) Per Company	\$0
	Per Staff	<u>580 \$ 580</u>

To reflect Staff's calculation of cash working capital based on Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	\$2,791	\$2,294 A		\$5,085
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	2,250	(2,250) B		0
Total Operating Revenue	\$5,041	\$44		\$5,085
Operating Expenses:				
601 Salaries and Wages	\$0	\$0		\$0
610 Purchased Water	0	0		0
615 Purchased Power	2,324	442 C		2,766
618 Chemicals	250	0		250
620 Repairs and Maintenance	5,034	(3,389) D		1,645
621 Office Supplies & Expense	124	(70) E		54
630 Contractual Services Expense	1,378	416 F		1,794
635 Water Testing	574	0		574
641 Rents	0	0		0
650 Transportation Expenses	0	0		0
657 Insurance - General Liability	0	0		0
665 Regulatory Commission Expense	0	0		0
666 Regulatory Commission Expense - Rate Case	0	323 G		323
675 Miscellaneous Expense	0	0		0
403 Depreciation Expense	0	1,521 H		1,521
408 Taxes Other Than Income	97	(97) I		0
408.11 Property Taxes	231	24 J		255
409 Income Tax	0	0		0
Total Operating Expenses	\$10,012	(\$829)		\$9,183
OPERATING INCOME/(LOSS)	(\$4,971)	\$873		(\$4,098)

STAFF ADJUSTMENTS

A -	METERED WATER REVENUE - Per Company	\$2,791	
	Per Staff	5,085	\$2,294

To add \$2,294 in metered water revenue per Company's submitted bill count.

B -	OTHER WATER REVENUE - Per Company	\$2,250	
	Per Staff	0	(\$2,250)

To transfer \$2,250 from other water revenue to metered water revenue per company's submitted bill count.

C -	PURCHASED POWER - Per Company	\$2,324	
	Per Staff	2,766	\$442

To add \$442 in supported purchased power expense.

D -	REPAIRS AND MAINTENANCE - Per Company	\$5,034	
	Per Staff	1,645	(\$3,389)

To remove and capitalize \$3,389 in costs of electrical pumping equipment.

E -	OFFICE SUPPLIES & EXPENSE - Per Company	\$124	
	Per Staff	54	(\$70)

To remove \$70 in unsupported office supplies expense.

F -	CONTRACTUAL SERVICES - Per Company	\$1,378	
	Per Staff	1,794	\$416

To recognize an additional \$416 in supported contractual services expense.

G -	RATE CASE EXPENSE - Per Company	\$0	
	Per Staff	323	\$323

To reflect a normalized amount of rate case expense based on three years between rate cases.

	\$970 Rate Case Expense - Per the first data requests	
	3 Divided by 3 years	
\$	323	

STAFF ADJUSTMENTS (Cont.)

H - DEPRECIATION - Per Company \$0
Per Staff 1,521 \$1,521

To reflect application of Staff's recommended depreciation rates to
Staff's recommended plant, by account.

Pro Forma Annual Depreciation Expense:

Operating Income Adjustment I - Test Year Depreciation Expense

LINE NO.	DESCRIPTION	(A) Plant In Service Per Staff	(B) NonDepreciable or Fully Depreciated Plant	(C) Depreciable Plant (Col A - Col B)	(D) Depreciation Rate	(E) Depreciation Expense (Col C x Col D)
1	301 - Organization Cost	\$ -	\$ -	-	0.00%	\$ -
2	302 - Franchise Cost	-	-	-	0.00%	-
3	303 - Land and Land Rights	3,000.00	3,000	-	0.00%	-
4	304 - Structures and Improvements	-	-	-	3.33%	-
5	305 - Collecting and Impounding Res.	-	-	-	2.50%	-
6	306 - Lake River and Other Intakes	-	-	-	2.50%	-
7	307 - Wells & Spring	\$21,700	-	21,700	3.33%	723
8	308 - Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309 - Supply Main	-	-	-	2.00%	-
10	310 - Power Generation Equip.	-	-	-	5.00%	-
11	311 - Electric Pumping Equipment	\$6,389	-	6,389	12.50%	799
12	320 - Water Treatment Equipment	-	-	-	-	-
13	320.1 Water Treatment Plants	-	-	-	3.33%	-
14	320.2 Solution Chemical Feeders	-	-	-	20.00%	-
15	330 - Distribution Resrvr & Standpipe	-	-	-	-	-
16	330.1 Storage Tanks	\$1,451	1,451	-	2.22%	-
17	330.2 Pressure Tanks	-	-	-	5.00%	-
18	331 - Transmission & Distr. Mains	\$8,945	8,945	-	2.00%	-
19	333 - Services	-	-	-	3.33%	-
20	334 - Meter & Meter Installations	-	-	-	8.33%	-
21	335 - Hydrants	-	-	-	2.00%	-
22	336 - Backflow Prevention Devices	-	-	-	6.67%	-
23	339 - Other Plant & Misc Equipment	-	-	-	6.67%	-
24	340 - Office Furniture and Fixtures	-	-	-	6.67%	-
25	340.1 Computers and Softwares	-	-	-	20.00%	-
26	341 - Transportation Equipment	-	-	-	20.00%	-
27	343 - Tools & Work Equipment	-	-	-	5.00%	-
28	345 - Power Operated Equipment	-	-	-	5.00%	-
29	346 - Communication Equipment	-	-	-	10.00%	-
30	347 - Miscellaneous Equipment	-	-	-	10.00%	-
31	348 - Other Tangible Plant	-	-	-	-	-
32	Total Plant	\$41,485	\$13,396	\$28,089		\$1,521
33						
34	Composite Depreciation Rate (Depr Exp / Depreciable Plant):					5.42%
35	CIAC:				\$	-
36	Amortization of CIAC (Line 33 x Line 34):				\$	-
37						
38	Pro Forma Annual Depreciation Expense					
39						
40	Plant in Service					\$41,485
41	Less: Non Depreciable Plant					3,000
42	Fully Depreciable Plant					<u>13,396</u>
43	Depreciable Plant					\$25,089
44	Times: Staff Proposed Depreciation Rate					<u>5.42%</u>
45	Depreciation Expense Before Amortization of CIAC:				\$	1,521
46	Less Amortization of CIAC:				\$	-
47	Test Year Depreciation Expense - Staff:				\$	<u>1,521</u>
48	Depreciation Expense - Company:				\$	-
49	Staff's Total Adjustment:				\$	<u><u>1,521</u></u>

STAFF ADJUSTMENTS

I -	TAXES OTHER THAN INCOME - Per Company	\$97	
	Per Staff	0	<u>(\$97)</u>

To remove sales taxes paid by customers.
As a pass-through tax it is not included in
revenue, so should not be included in expenses.

J -	PROPERTY TAXES - Per Company	\$231	
	Per Staff	255	<u>\$24</u>

To reflect property tax expense using the Arizona
Department of Revenue property tax method.

Bidegain Water Company
Docket No. W-02026A-11-0470
Test Year Ended: December 31, 2010

Schedule BCA-4

RATE DESIGN

	Present Rates	Company Proposed	Staff Recommended
<u>Monthly Usage Charge</u>			
5/8" x 3/4" Meter	\$9.00	\$16.00	\$ 13.50
3/4" Meter	N/A	N/A	13.50
1" Meter	N/A	N/A	33.75

Gallons in Minimum	0	0	0
--------------------	---	---	---

Commodity Rates (Per 1,000 gallons)

Present Rate - All Sizes

5/8 X 3/4 - inch Meter

First Tier - All Usage \$ 1.43

Company Proposed - All Sizes

First Tier - All Usage \$ 3.00

Staff Recommended - All Sizes

First Tier - 0 - 4,000 gallons	\$ 2.20
Second Tier - 4,001 - 8,000 gallons	\$ 3.20
Third Tier - Over 8,000 gallons	\$ 4.60

	Company Current Tariff	-----Staff Recommended----- Service Line Charges	Meter Charges	Total Charges
Service Line and Meter Installation Charges				
5/8" x 3/4" Meter	\$120	\$415	\$105	\$520
3/4" Meter	N/A	415	205	\$620
1" Meter	N/A	465	265	\$730
1½" Meter	N/A	520	475	\$995
2" Meter	N/A	800	995	\$1,795
3" Meter	N/A	1,015	1,620	\$2,635
4" Meter	N/A	1,430	2,570	\$4,000
6" Meter Compound	N/A	2,150	4,925	\$7,075

Service Charges

Establishment	N/A	N/A	\$20.00
Establishment (After Hours)	N/A	N/A	N/A
Reconnection (Delinquent)	5.00	50.00	\$20.00
Meter Test (If Correct)	N/A	N/A	\$25.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	N/A	25.00	\$25.00
Deferred Payment - Per Month	N/A	N/A	1.50%
Meter Re-Read (If Correct)	\$ 2.50	\$ 2.50	\$10.00
Late Fee	N/A	\$ 5.00	1.50%
After Hours Service Charge (After Hours)	N/A	N/A	\$35.00

* Per Commission Rules (R14-2-403.B)

** Number of months off system times the monthly minimum (R14-2-403(D)).

N/A = Not Applicable

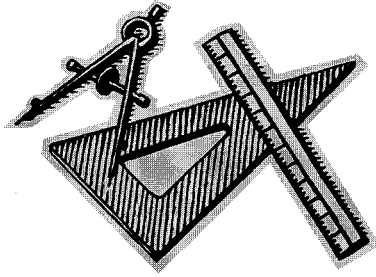
TYPICAL BILL ANALYSIS
5/8 X 3/4 Inch Meter

Average Number of Customers: 20

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	8,838	\$21.64	\$42.51	\$20.87	96.4%
Median Usage	7,321	\$19.47	\$37.96	\$18.49	95.0%
<u>Staff Recommend</u>					
Average Usage	8,838	\$21.64	\$38.96	\$17.32	80.0%
Median Usage	7,321	\$19.47	\$32.93	\$13.46	69.1%

Present & Proposed Rates (Without Taxes)
5/8 X 3/4 Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$9.00	\$16.00	77.8%	\$13.50	50.0%
1,000	10.43	19.00	82.2%	15.70	50.5%
2,000	11.86	22.00	85.5%	17.90	50.9%
3,000	13.29	25.00	88.1%	20.10	51.2%
4,000	14.72	28.00	90.2%	22.30	51.5%
5,000	16.15	31.00	92.0%	25.50	57.9%
6,000	17.58	34.00	93.4%	28.70	63.3%
7,000	19.01	37.00	94.6%	31.90	67.8%
8,000	20.44	40.00	95.7%	35.10	71.7%
9,000	21.87	43.00	96.6%	39.70	81.5%
10,000	23.30	46.00	97.4%	44.30	90.1%
15,000	30.45	61.00	100.3%	67.30	121.0%
20,000	37.60	76.00	102.1%	90.30	140.2%
25,000	44.75	91.00	103.4%	113.30	153.2%
50,000	80.50	166.00	106.2%	228.30	183.6%
75,000	116.25	241.00	107.3%	343.30	195.3%
100,000	152.00	316.00	107.9%	458.30	201.5%
125,000	187.75	391.00	108.3%	573.30	205.4%
150,000	223.50	466.00	108.5%	688.30	208.0%
175,000	259.25	541.00	108.7%	803.30	209.9%
200,000	295.00	616.00	108.8%	918.30	211.3%



**Engineering Report For
Bidegain Water Company
Docket No. W-02026A-11-0470 (Rates)**

February 16, 2012

SUMMARY

Conclusions

1. The Arizona Department of Environmental Quality ("ADEQ") has reported that the Bidegain water system is currently delivering water that meets water quality standards required by 40 CFR141/Arizona Administrative Code, Title 18, and Chapter 4, and the water system is in compliance with ADEQ requirements.
2. The Bidegain water system has adequate well production and storage capacities to serve the present customer base and a reasonable level of growth.
3. The Bidegain water system is not located in an Arizona Department of Water Resources ("ADWR") designated Active Management Area.
4. ADWR has determined that the Bidegain water system is not in compliance with ADWR requirements, as the Company has not filed its Community Water System Water Plan.
5. A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company.
6. The Company filed a curtailment plan tariff on April 25, 2012.
7. The Company filed a backflow prevention tariff on April 25, 2012.
8. The Company does not have any approved Best Management Practices ("BMPs") tariffs.

Recommendations

1. Staff recommends that the Company file as a compliance item in this docket, no later than December 31, 2013, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements.
2. Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report

indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

3. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system. Staff recommends that in case that the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.
6. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp> Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.
7. Staff recommends its annual water testing expense of \$594 be used for purposes of this application.
8. Staff recommends the depreciation rates delineated in Table B, on a going forward basis.
9. Staff recommends its service line and meter installation charges labeled "Staff's Recommendation" in Table C.
10. Staff recommends that the permanent rates in this matter shall become effective on the first day of the month after the Company files with Docket Control, as a compliance item in this docket, documentation issued by ADWR indicating that the Company's system is in compliance with ADWR requirements.

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND LOCATION OF COMPANY.....	1
II. WATER SYSTEM	4
1. <i>Description of the Water System</i>	4
2. <i>Water Use</i>	6
Water Sold	6
Non-account Water	6
3. <i>System Analysis</i>	7
4. <i>Growth</i>	7
III. ADEQ COMPLIANCE.....	7
1. <i>Compliance</i>	7
2. <i>Water Testing Expense</i>	8
IV. ADWR COMPLIANCE	8
V. ACC COMPLIANCE	8
VI. DEPRECIATION RATES	9
VII. OTHER ISSUES	11
1. <i>Service Line and Meter Installation Charges</i>	11
2. <i>Curtailment Plan Tariff</i>	11
3. <i>Backflow Prevention Tariff</i>	11
4. <i>Best Management Practices ("BMPs")</i>	11

I. INTRODUCTION AND LOCATION OF COMPANY

On December 27, 2011, Bidegain Water Company, Inc. ("Company" or "Bidegain") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). The Commission Utilities Division Staff ("Staff") engineering review and analysis of the application is presented in this report.

The Company provides water service to approximately 20 customers near Kearny, Pinal County.

The plant facilities were visited on February 7, 2012, by Katrin Stukov, Staff Utilities Engineer, accompanied by the Company's owner Darrell Wallace.

Figure 1 shows the location of the Company within Pinal County and Figure 2 delineates the Company's certificated area which covers approximately 28 acres (less than one square mile).

Figure 1

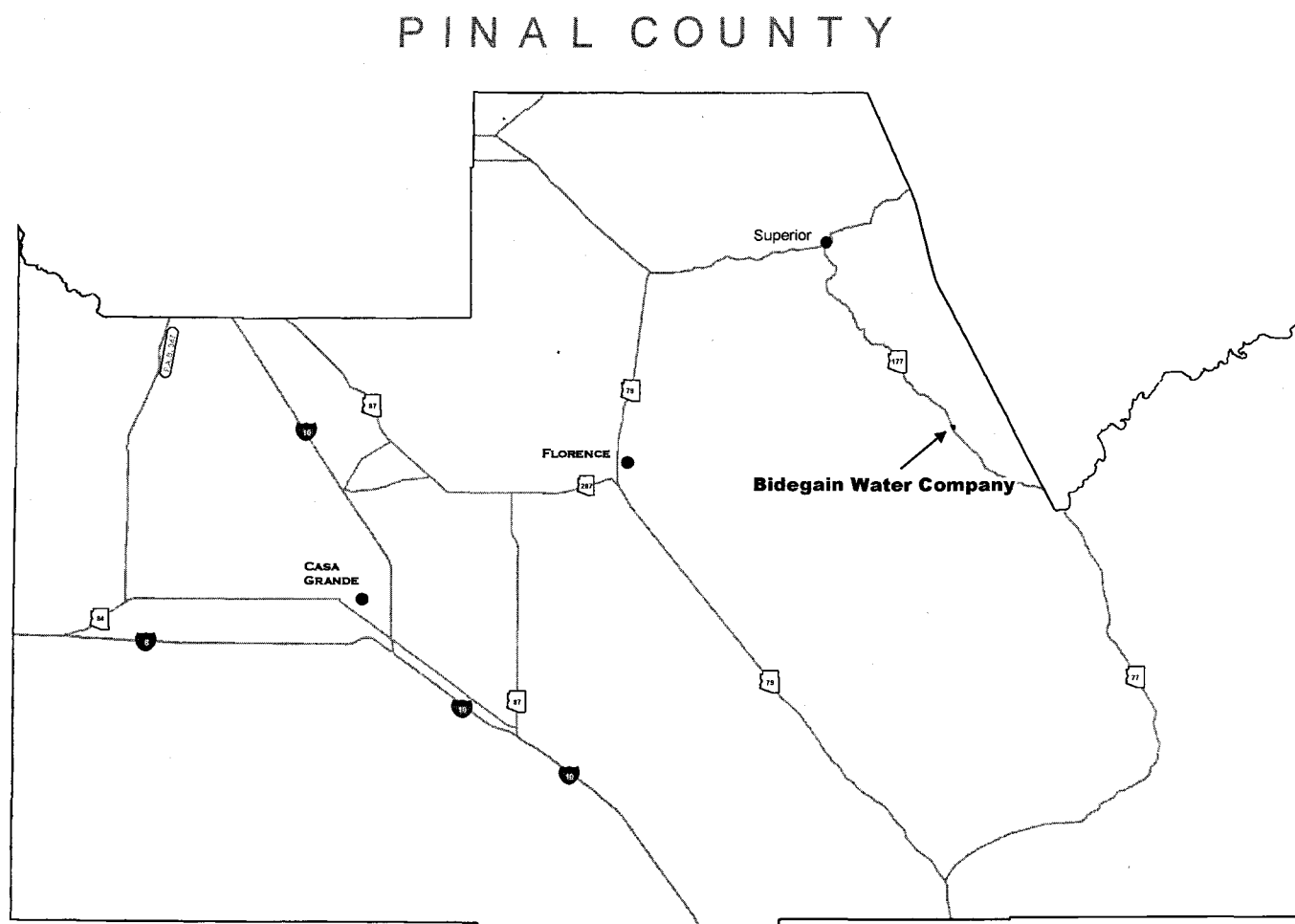
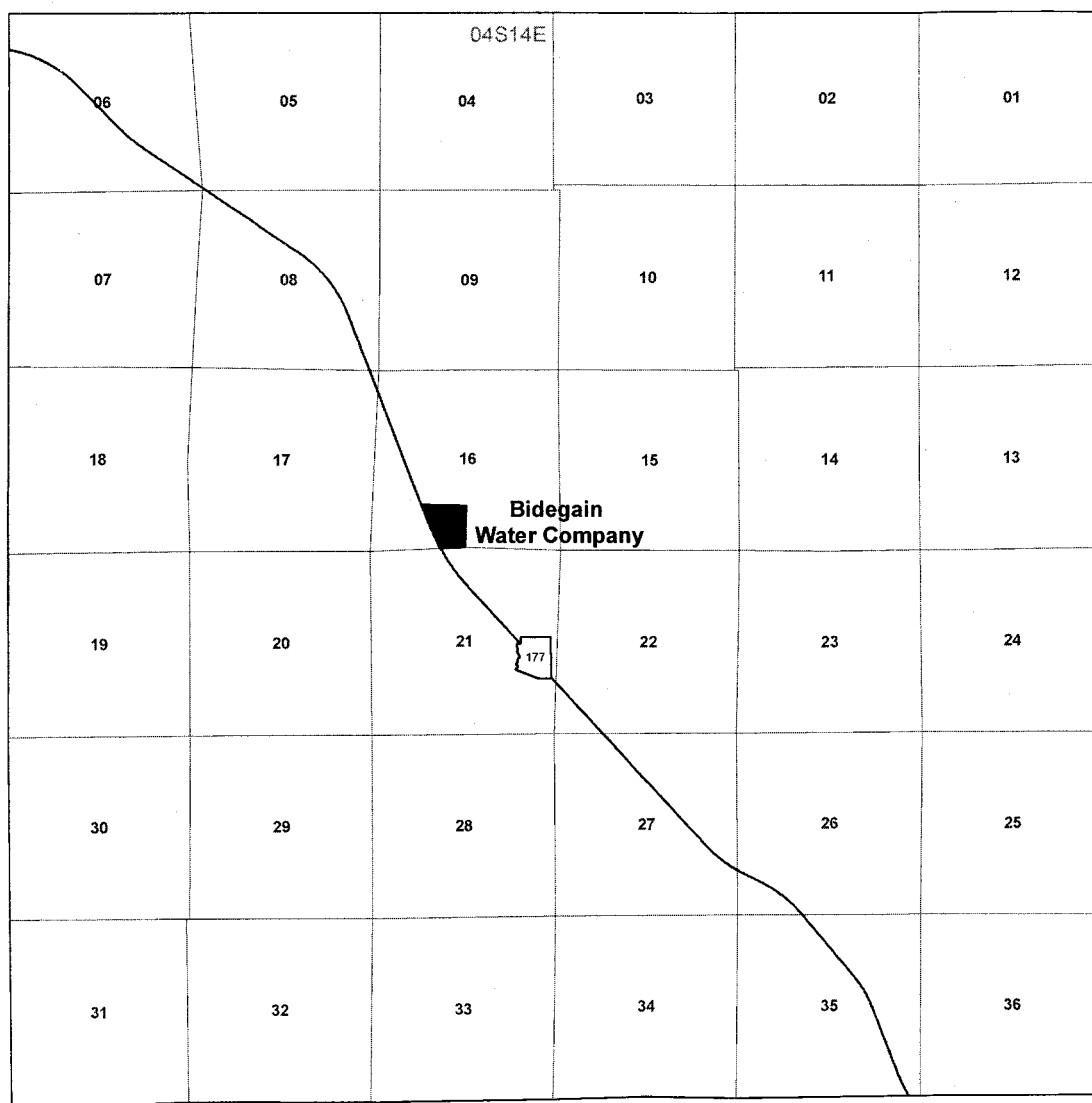


Figure 2

P I N A L C O U N T Y



II. WATER SYSTEM

1. Description of the Water System

The Bidegain water system is located approximately one mile north of Kearny, east of Arizona Highway 177 on old Ray Road. The water system includes one active well, one back-up well, two storage tanks, one pressure tank, two booster pumps and a distribution system serving approximately 20 service connections.

A water system schematic is shown in Figure 3 and a plant facilities summary¹ is tabulated below:

Wells

Well number	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
#1	55-612346	5	10	600	8	none ²	1960
#2	55-529639	5 ³	25	610	6	1.5	1990

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
10,000	1	1,000	1	2	1
50,000	1			2	1

Mains		
Size (inches)	Material	Length (feet) ⁴
2	steel	650
4	steel	1,865

Customer Meters	
Size (inches)	Quantity
5/8x3/4	20

Fire Hydrants
Quantity Standard
1

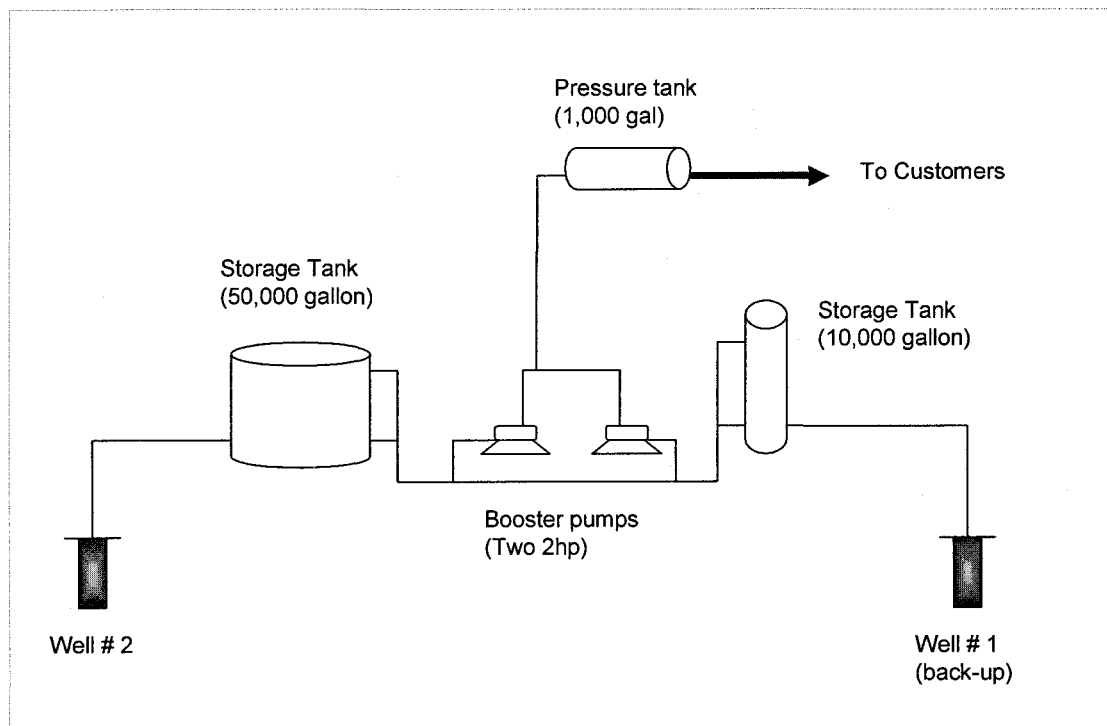
¹ Per Company's Application and site visit

² Per Company, the well #1 1-1/2" meter was removed during the well pump inspection/repairs in December 2010.

³ According to the Company, the well#2 pump was replaced in December 2010.

⁴ Per Company's 2010 Annual Report

Figure 3 Bidegain System Schematic

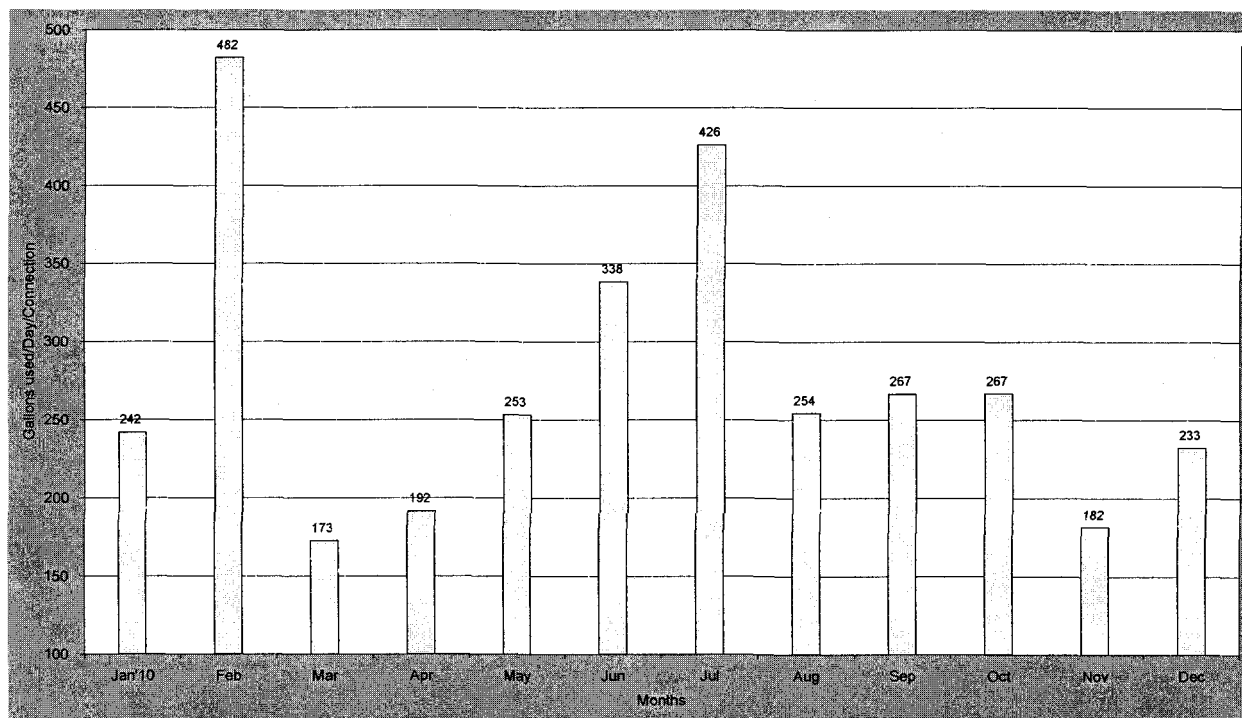


2. Water Use

Water Sold

Figure 4 represents the water consumption data provided by Bidegain in its water use data sheet for the test year ending December 31, 2010. Customer consumption included a high monthly water use of 482 gallons per day (“GPD”) in February, and the low water use was 173 GPD per connection in March. The average annual use was 276 GPD per connection.

Figure 4 Water Use



Non-account Water

Non-account water should be 10 percent or less, and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported 1,950,000 gallons sold for the test year, however, did not provide data for gallons pumped. The Company does not read well meters and does not record water pumped from each well. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the water system.

Staff recommends that within 13 months of the effective date of the decision in this case, the Company file as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

Staff recommends that in case that the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the decision in this case.

3. System Analysis

Based on the water use data provided by Bidegain for the Test Year, Staff concludes that the Company system's water supply capacity of 35 GPM and storage capacity of 60,000 gallons are adequate to serve the present customer base and reasonable growth.

4. Growth

Based on customer data obtained from the Company's Annual Reports, Bidegain's customer base declined between 2000 and 2010. A listing of the number of connections at the end of 2000 and 2010 is tabulated below:

2000	2010
24	19

III. ADEQ COMPLIANCE

1. Compliance

The Arizona Department of Environmental Quality ("ADEQ") has reported that the Bidegain water system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4, and the water system is in compliance with ADEQ requirements.⁵

⁵ Per ADEQ Compliance Status Reports dated February 10, 2012.

2 Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections).

Bidegain reported its water testing expense at \$574 during the test year. Based on data provided by the Company, Staff's estimated average annual water testing expenses for the Company at \$594. Table A lists Staff's annual monitoring expense estimates totaling \$594 with participation in the MAP⁶.

Staff recommends its annual water testing expense of \$594 be used for this proceeding.

Table A. Water Testing Cost

Monitoring	Cost per Sample	Number of samples per year	Average Annual Cost
Total coliform – monthly	\$20	12	\$240
Lead & Copper – per 3 years	\$30	5/3-yrs	\$50
MAP – IOCs, SOCs, VOCs, Radiochemical, Nitrate, Nitrite, Asbestos- annualy	MAP	MAP	\$304
Total			\$594

IV. ADWR COMPLIANCE⁷

Bidegain's system is not located in an ADWR designated Active Management Area.

The ADWR has determined that the Bidegain water system is not in compliance with ADWR requirements, as the Company has not filed its Community Water System Water Plan.

V. ACC COMPLIANCE

A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company.⁸

⁶ The ADEQ MAP invoice for the 2010 Calendar Year was \$594, rounded.

⁷ Per ADWR Compliance Report dated January 10, 2012.

⁸ Per ACC Compliance status check dated February 10, 2012.

VI. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table B. Staff recommends that the Company use Staff's typical and customary depreciation rates in the accounts listed in Table B, on a going forward basis.

TABLE B
DEPRECIATION RATE TABLE FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTE: Acct. 348, Other Tangible Plant may vary from 5 percent to 50 percent. The depreciation rate would be set in accordance with the specific capital items in this account.

VII. OTHER ISSUES

1. Service Line and Meter Installation Charges

In its initial filing the Company did not request changes to its current service line and meter installation charges. The Company's current charges are lower than Staff's customary range of charges. After discussion with Staff, Bidegain requests the lower end of Staff's customary range of charges. Also, since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff.

Staff recommends its charges labeled "Staff's Recommendation" in Table C.

TABLE C
SERVICE LINE AND METER INSTALLATION CHARGES

Meter Size	Company Current Tariff	Staff's Recommendation		
		Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$120	\$415	\$105	\$520
3/4-inch	N/A	\$415	\$205	\$620
1-inch	N/A	\$465	\$265	\$730
1-1/2-inch	N/A	\$520	\$475	\$995
2-inch	N/A	\$800	\$995	\$1,795
3-inch	N/A	\$1,015	\$1,620	\$2,635
4-inch	N/A	\$1,430	\$2,570	\$4,000
6-inch	N/A	\$2,150	\$4,925	\$7,075

2. Curtailement Plan Tariff

The Company filed a curtailment plan tariff on April 25, 2012 (Docket No. 12-0151).

3. Backflow Prevention Tariff

The Company filed a backflow prevention tariff on April 25, 2012 (Docket No. 12-0152).

4. Best Management Practices ("BMPs")

The Company does not have any approved BMP tariffs. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

MEMORANDUM

TO: Brendan Aladi
Public Utilities Analyst III
Financial Regulatory Analysis Section

FROM: Kiana M. Sears
Executive Consultant I
Utilities Division



DATE: May 8, 2012

RE: BIDEGAIN WATER COMPANY, APPLICATION FOR RATE INCREASE
DOCKET NO. W-02026A-11-0470

On December 27, 2011, Bidegain Water Company ("Company" or "Bidegain") filed an application with the Arizona Corporation Commission ("ACC") for a rate increase. The Company provides water service to approximately 20 customers near Kearny, Pinal County.

ACC Utilities Division ("Staff") concludes that:

- Bidegain does not currently possess a Certificate of Convenience & Necessity ("CC&N") due to the fact the Company's former owners did not file the required Annual Reports before selling the Company to the current owner. The current owners of Bidegain have not filed for a CC&N.

Staff recommends that the rate increase application be approved subject to the following conditions:

- That the current owners of the Company file for a CC&N.
- That the new rates authorized in this proceeding do not become effective until a new CC&N has been authorized by the Commission.